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SUBJECT: BANGLADESH CONTRIBUTION TO REPORT ON FISCAL TRANSPARENCY IN COUNTRIES RECEIVING USG ASSISTANCE

REF: STATE 16737

¶1. The following is draft text on Bangladesh for the Congressionally-mandated report on fiscal transparency in countries receiving USG assistance.

¶2. While the Government of Bangladesh (GOB) demonstrates a commitment to financial transparency and accountability, its public accounting system does not meet international standards. The annual national budget is made public and is available on the website of the GOB's Ministry of Finance. Most, but not necessarily all, revenues and expenditures are included in the publicly-available budget. The GOB meets regularly with international donors, including the United States, and frequently provides additional budget information and updates.

¶3. As a least developed country (LDC), Bangladesh struggles with capacity and political will in strengthening fiscal transparency. Bangladesh's Constitution created the Office of the Comptroller and Auditor General, which is charged with auditing GOB finances and reporting its findings to Bangladesh's Parliament. The Office is run by a Presidential appointee and is an independent body. Its annual reports to Parliament have highlighted fiscal problems and abuses. Action is seldom taken on the findings of the Comptroller and Auditor General, however. When Parliament is in session, there are two standing committees that exercise fiscal oversight over the national budget: the Standing Committee on the Ministry of Finance and the Public Accounts Committee. There are also committees that oversee public procurement and public enterprises. These committees in the past have been somewhat effective in policing the GOB's fiscal transparency.

¶4. Parliamentary elections were scheduled for January 2007, but political unrest in Bangladesh led to the imposition of a state of emergency in January 2007. While Parliament is not session pending elections scheduled for the end of 2008, Bangladesh's Caretaker Government has taken numerous steps to address transparency and good governance generally and government corruption in particular. It strengthened the country's weak Anti-Corruption Commission (ACC), formed a National Coordination Committee to help coordinate government and security forces efforts to investigate graft, and set up several task forces to help the committee with its work. In 2007, security forces detained several hundred high-profile graft suspects. Among those detained were former prime ministers Sheikh Hasina and Khaleda Zia, both of whom were charged in bribery cases dating to their government tenures. Local media reported in February 2008 that at least 240 people, including politicians, government officials and businesspeople, had been sentenced to jail in the anti-corruption drive.

¶4. With an aim to contribute to good governance and accountability, USAID began implementing in October 2007 a four-year, \$18 million

anti-corruption program for Bangladesh. It will provide technical assistance to strengthen parliamentary oversight committees, the Office of the Comptroller and Auditor General, citizen advocacy and watchdog initiatives, legal reforms that promote greater access to reliable information, investigative journalism, and citizen participation in understanding and developing program-based budgets.

It will help increase the public sector's credible and effective stewardship of public resources by assisting in a more transparent development, review and implementation of the Government of Bangladesh's national budget.

15. The Department of Justice (DOJ) has provided training on financial investigations to the national corruption task forces. This training has involved instructors from the Internal Revenue Service and the U.S. financial intelligence unit, who have taught simple forensic accounting, investigative methods and interviewing to 90 members from the five-agency national corruption task forces. DOJ also has worked with the Government of Bangladesh to establish an operational financial intelligence unit in the central bank.

16. Bangladesh receives a significant amount of aid from other donor countries and multi-lateral lending institutions, including in the areas of fiscal transparency and good governance. In November 2007, for example, the Asian Development Bank (ADB) and the GOB signed a \$150 million loan agreement aimed at fighting corruption and fostering economic growth by strengthening governance. Also in November 2007, the World Bank released a report on Public Sector Accounting and Auditing in Bangladesh, which recommends Bangladesh adopt International Public Sector Accounting Standards (IPSAS). The World Bank is also funding a \$24 million Public Procurement Reform project. The International Monetary Fund's last Report on Observance of Standards and Codes covering fiscal transparency in Bangladesh dates from 2005.

DHAKA 00000315 002 OF 002

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